

SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered in this _____ day of _____, 2003, by and between **COMMUNITY HEALTH GROUP (f/k/a HEALTH MIDWEST)**, a Missouri non-profit public benefit corporation, **JEREMIAH (JAY) NIXON, ATTORNEY GENERAL OF THE STATE OF MISSOURI** (the "Attorney General"), and, for the purposes of Section 8 only, **RICHARD W. BROWN**, an individual residing in the State of Kansas.

RECITALS

WHEREAS, Health Midwest entered into an agreement with HCA and one of its subsidiaries, HM Acquisition, LLC (collectively "HCA"), for the sale of substantially all of Health Midwest's assets to HCA pursuant to an Asset Purchase Agreement dated November 22, 2002 (the "APA");

WHEREAS, Health Midwest filed an action in the Circuit Court of Cole County, Missouri (Case No. 02CV326118) on November 26, 2002 (the "Missouri Litigation"), seeking a determination from the court as to the scope of authority of the Attorney General in his review of the sale of assets to HCA and certain declarations concerning the Health Midwest Board's actions in connection with the sale;

WHEREAS, the Attorney General filed various cross-claims and counter claims seeking, among other remedies, the dissolution of Health Midwest and the removal of its board;

WHEREAS, following substantial discovery, the Attorney General determined that the price obtained by Health Midwest under the APA, and the process that led to its execution, were fair, and as a consequence the parties entered into a Memorandum of Understanding on January 22, 2003 (the "MOU"), whereby the parties agreed to dismiss all pending litigation between them and agreed on a framework for a new Foundation to administer the proceeds from the sale of Health Midwest assets to HCA that would form the basis of a definitive settlement agreement;

WHEREAS, the parties intend this Agreement to be the final and definitive statement of their settlement;

NOW, THEREFORE, for the mutual consideration herein set forth, the receipt and sufficiency of which is hereby acknowledge, the parties agree as follows:

AGREEMENT

1. Amendment of Memorandum of Understanding. The MOU is hereby amended by deleting the terms thereof in their entirety and substituting therefor the terms of this Agreement. It is the intent of the parties that this Agreement be the complete understanding of the parties with respect to the issues set forth herein.

2. Termination of Litigation and Release of All Claims. The parties have previously dismissed without prejudice all claims, actions and proceedings in connection with the Missouri

Litigation. The parties hereby: (a) waive and forever release all claims, counterclaims, causes of action and statutory remedies with respect to the transaction between Health Midwest and HCA, and all matters related to that transaction, and (b) release one another and their respective employees, agents, directors, officers and assigns generally from, any liability for any matter that was raised or could have been raised, directly or indirectly, in the Missouri Litigation, or which relate directly or indirectly to the transaction between Health Midwest and HCA, including, without limitation, any claims, counterclaims, causes of action and statutory remedies related to: (1) the allocation and distribution of proceeds received under the APA and assets retained by Health Midwest (to be known following the closing and sometimes referred to herein as “Community Health Group” or “CHG”) in the manner set forth herein, (2) the compensation of any officer, director or employee of Health Midwest, (3) the structure and governance of the foundation established pursuant to the terms hereof, and (4) the operations of the Retained Operations (as defined below in Section 4) following the closing of the sale to HCA, provided same are conducted in a manner consistent with the terms hereof. The AG specifically reserves his right under applicable statutory and common law to monitor HCA’s compliance with its obligations under the APA and to seek to enforce those obligations if he determines HCA’s compliance is not satisfactory.

3. Closing of Transactions under APA. The Attorney General will not challenge the sale by Health Midwest to HCA pursuant to the terms of the APA and agrees that Health Midwest and HCA may consummate all the transactions contemplated under the APA without any further legal challenge to either by the Attorney General.

4. Retained Operations. Under the APA, following the closing of the sale, CHG will retain certain assets and operations. CHG will be responsible for managing certain businesses (the “Retained Operations”). CHG shall amend its Articles of Incorporation promptly after the closing of the sale to HCA to reflect the fact that CHG will have the purposes of: (i) winding down its operations; (ii) preparing for the independence of the Retained Operations; (iii) disposing of the other assets not sold to HCA; and (iv) pursuing purposes consistent therewith as permitted by law. The Articles of Incorporation shall also provide that upon dissolution and liquidation of CHG, all then remaining net assets of CHG shall be distributed eighty percent (80%) to the Foundation and twenty percent (20%) to the Kansas Foundation identified in Section 5 below. CHG anticipates that it will wind down its affairs within six (6) years, but the parties agree that there is no timeline or deadline to complete such wind down activities.

5. Distributions. The net proceeds from the sale of assets to HCA and the net assets retained by Health Midwest will be distributed to the Missouri Foundation (defined below in Section 6) as set forth in this Section. The distributions are based on estimates contained in the budgets attached as **Exhibit A** (the “Budgets”) for the purposes of the operation of the Retained Operations and the determination of distributions to the Missouri Foundation. Although Health Midwest does not guarantee that the estimates set forth on the Budgets reflect the amounts that will actually be expended on the items set forth thereupon, Health Midwest represents and warrants that the estimates were prepared in good faith based on the financial statements of Health Midwest as of the time the budgets were created. Based on this representation and warranty, and on the basis of information presented and obtained through discovery, the AG approves the Budgets. CHG will annually provide to the Attorney General budgets for the Retained Operations that reflect CHG’s best estimates of the future operating needs of the Retained Operation.

(a) Initial Advances. Following the closing of the sale to HCA and the satisfaction of bond and other indebtedness to be satisfied out of the closing proceeds, and as reasonably requested by the Board of Directors of the Missouri Foundation, CHG will make initial advances for the benefit of the Missouri Foundation to cover start up expenses. Such advances shall credit against the distribution reflected in Section 5(b).

(b) Distribution of Net Sale Proceeds. The distribution of the net sale proceeds from the sale of assets to HCA under the APA will be made to the Missouri Foundation upon satisfaction of following conditions: (i) closing of the sale to HCA; (ii) satisfaction of bond and other indebtedness to be paid out of the closing proceeds; (iii) seating of the initial Board of Directors of the foundation (the "Missouri Foundation") described in Section 6 (e)(i)(1) below; (iv) completion of all post-closing adjustments under the APA; (v) receipt by the Missouri Foundation of the IRS determination letter showing the Missouri Foundation as exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the "Code") by virtue of being an organization described in Section 501(c)(3) of the Code (the "IRS Determination Letter"); (vi) satisfaction of or appropriate reserves for all liabilities of Health Midwest as reflected on the Budgets; and (vii) execution of such documentation required by HCA pursuant to Section 14.3 of the APA, as amended. An estimate of the amount to be distributed under this section is reflected in the Budgets. Upon satisfaction of the above conditions, eighty percent (80%) of the actual amount then available for distribution from the sale proceeds will be distributed to the Missouri Foundation and twenty percent (20%) will be distributed to the foundation created under the settlement agreement with the Attorney General of the State of Kansas (the "Kansas Foundation") with the following adjustments: (x) the amount of all fees of counsel for the Attorney General of the State of Kansas paid or to be paid by Health Midwest/CHG will be deducted by CHG from the proceeds of the sale otherwise payable to the Kansas Foundation and upon final distribution of assets set forth in Section 5(c) below will be added to the amounts payable to the Missouri Foundation; and (y) the Missouri Foundation will receive all the sale proceeds net of expenses associated with the sale of the Trinity Lutheran Hospital campus and the Park Lane Medical Center campus, both located in Kansas City, Missouri.

(c) Distribution of Remaining Health Midwest Assets. CHG will provide annual, audited financial statements to the Attorney General. Following the conclusion of CHG's first three (3) years of operation of CHG, and at the end of each two-year period thereafter, the Board of Directors of CHG will distribute eighty percent (80%) to the Missouri Foundation and twenty percent (20%) to the Kansas Foundation cash reserves in excess of the amount the CHG Board reasonably determines is necessary to satisfy the remaining reasonably anticipated liabilities (including a reserve for unresolved liabilities) and expenses of CHG. Any net assets remaining at CHG upon liquidation and dissolution, shall be distributed eighty percent (80%) to the Missouri Foundation and twenty percent (20%) to the Kansas Foundation.

6. Foundation. The foundation created pursuant to this Section 6 is referred to in this Agreement as the "Missouri Foundation".

(a) Nonprofit and Tax Exempt Status. Health Midwest will create the Missouri Foundation as a Missouri nonprofit public benefit corporation with perpetual existence and will apply to the Internal Revenue Services for recognition of the Missouri

Foundation as an entity exempt from tax under Section 501(a) of the Code by virtue of being described in Section 501(c)(3) of the Code. Until the seating of the "Initial Board" described in subsection 6(e)(1)(i) below, the Board of Directors of the Missouri Foundation shall be comprised of two representatives of the Attorney General and one representative of Health Midwest/CHG.

(b) Articles of Incorporation and Bylaws of Foundation. The parties agree that the Article of Incorporation and the Bylaws of the Missouri Foundation attached hereto as **Exhibits B** and **C**, respectively, will be the initial Articles of Incorporation and the Bylaws of the Missouri Foundation.

(c) Compliance Committee. Within thirty (30) days following closing of the sale to HCA, a compliance committee will be formed that will consist of one (1) CHG Representative, one (1) Missouri Attorney General Representative and one (1) Kansas Attorney General Representative. The committee shall meet periodically to review compliance by HCA with the covenants set forth in the APA and to discuss any actions the committee determines to be appropriate.

(d) Contribution Agreement. Health Midwest and the Missouri Attorney General will attempt in good faith to reach an agreement with the Kansas Attorney General on a pro-rata contribution agreement among CHG, the Missouri Foundation and the Kansas Foundation, which would reflect the respective liability of Health Midwest, the Missouri Foundation and the Kansas Foundation in the event of claims by HCA under the APA or Joinder Agreement attached hereto as **Exhibit D**.

7. Hospital Foundations. The Attorney General supports the existing hospital foundations separating from the Health Midwest system pursuant to the Reorganization Agreement, a form of which is attached hereto as **Exhibit E**.

8. Executive Compensation. In exchange for a charitable contribution to be made by Richard W. Brown to the Missouri Foundation in an amount equal to \$517,247 (which is fifty percent (50%) of his 2002 salary), which charitable contribution may, at Mr. Brown's discretion, be made in the form of an endowment, and subject to terms and conditions listed below, the Attorney General agrees permanently and forever to remove, withdraw, refrain from asserting and/or release any claim in any manner related to the reasonableness, lawfulness or propriety of: (a) any compensation, retirement benefit, fringe benefit or severance due Richard W. Brown under the terms of his employment with Health Midwest including, but not limited to, his January 1, 1999 Employment Contract and Retention Plan Agreement and his January 1, 1995 Supplemental Executive Retirement Agreement (as amended) (collectively the "Employment Agreements"), and (b) any compensation, retirement benefit, fringe benefit or severance due any Health Midwest employee including, but not limited to, James Strieby, Thomas Langenberg, Joseph Hiersteiner, Linda Ward, Steven Wilkinson, Barry Seward, Patrick Patterson, Steven Newton, Darrell Moore, Max Jackson, M.D., J. Kent Howard, Kevin Hicks, Thomas Cranshaw, Michael Chappelow and Gaylia Bond including, but not limited to, compensation and severance benefits under their respective employment agreements and supplemental executive retirement plan benefits (referred to as ExecuFlex Wrap SERP benefits) and amendments thereto adopted in 2002.

(a) The parties agree to the following terms and conditions to the charitable payment described in this Section 8:

(i) Richard W. Brown's payment is contingent upon his receipt of a copy of the IRS Determination Letter. If the IRS fails to issue a favorable determination letter to the Missouri Foundation by December 1, 2003, Richard W. Brown shall make the payment described in this Section 8 to Community Health Group no later than December 31, 2003. In this event, Community Health Group agrees that when it makes the payment called for under Section 5(b) above, it will pay an additional amount to the Missouri Foundation equaling \$517,247.

(ii) The purposes of the Missouri Foundation shall be substantially similar to the purposes set forth in the Articles attached as **Exhibit B**.

(iii) The payment called for from Richard W. Brown to the Missouri Foundation is contingent upon his receipt of all monies due under the Employment Agreements.

(b) The parties specifically acknowledge that Richard W. Brown and Health Midwest/CHG affirmatively deny that any compensation, retirement, fringe benefits or severance due him or any other Health Midwest executive or employee is improper and or excessive. Richard W. Brown's compensation and all other executive compensation was determined in accordance with Health Midwest policy and procedure which included reasonableness opinions from outside consultants well versed in executive compensation of similarly situated nonprofit health care systems, as well as outside legal counsel, with final approval by independent, disinterested directors.

(c) Upon receipt by the Missouri Foundation of the full payment from Richard W. Brown as provided in this Section 8, and in consideration of the agreements, understandings and undertakings contained herein, the Attorney General shall release and forever discharge Richard W. Brown, and his agents, servants, representatives, heirs, executors, estate and all officers, directors and employees of Health Midwest/CHG of and from any and all past, present and future claims, demands, litigation, actions, causes of action, statutory remedies, damages or costs which the Attorney General now has or hereafter may have relating to the payment of compensation, retirement, fringe benefits or severance to Richard W. Brown and any other Health Midwest executive or employee.

9. Miscellaneous.

(a) Additional Documentation. Each party hereto shall execute such further instruments and documents as counsel for the other party may reasonably require to carry out effectively the transactions contemplated hereby and to evidence the fulfillment of the agreements contained herein and the performance of all conditions to the consummation of such transactions.

(b) Entire Agreement, Amendment. This Agreement including the Exhibits attached hereto constitutes the entire agreement of the parties and may not be changed, terminated or discharged except in a writing signed by both parties.

(c) Governing Law. This Agreement shall be construed under the laws of the State of Missouri.

(d) Multiple Counterparts. This Agreement may be executed in several counterparts, and each executed counterpart shall be considered an original of this Agreement but together shall constitute one and the same instrument.

(e) Assignment. No party to this Agreement may assign its rights or delegate its duties to any other person or entity without the prior written consent of the other party hereto.

(f) Notices. Notices hereunder shall be effective if deposited in the United States mail, postage prepaid, registered or certified, return receipt requested, and addressed, as follows:

Attorney General: Jeremiah "Jay" Nixon
In re: Health Midwest Settlement
Attorney General of the State of Missouri
P.O. Box 899
Jefferson City, Missouri 65102

Health Midwest: Health Midwest
2304 East Meyer Boulevard
Kansas City Missouri 64132
Attention: Thomas J. Langenberg

Copy to: Larry J. Bingham, Esq.
Seigfreid, Bingham, Levy, Selzer & Gee, P.C.
2800 Commerce Tower, 911 Main Street
Kansas City, Missouri 64105

Richard W. Brown: Richard W. Brown
12621 Juniper Circle
Leawood, Kansas 66209

Copy: Thomas Kokoruda, Esq.
Shughart Thomson Kilroy
120 West 12th Street
Kansas City, Missouri 64105

Either party may change the address to which notices are to be addressed by giving the other party notice in the manner herein set forth.

No Liability for Officers, Directors, Employees and Agents. No officer, (g) director, employee, volunteer or agent of either party shall have any liability in respect of this Agreement or any transaction, representation, warranty, covenant or other matter contemplated hereby regardless of the nature of the claim, when the claim is made or how resolved, and the parties specifically waive any right to proceed against any such individual in connection therewith.

(h) Headings. The section and other headings contained in this Agreement are for reference purposes only; and shall not in any way affect the meaning or interpretation, of this Agreement.

(i) Severability. It is the intention of the parties hereto that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies of each state and jurisdiction in which such enforcement is sought, and that the unenforceability, (or the modification to conform with such laws or public policies) of any, provision hereof shall not render unenforceable, or impair, the remainder of this Agreement. Accordingly, if any provision of this Agreement shall be deemed invalid or unenforceable in whole or in part, this Agreement shall be deemed amended to delete or modify, in whole or in part, if necessary, the invalid or unenforceable provisions, or portions thereof, and to alter the balance of this Agreement in order to render the same valid and enforceable.

(j) Third Party Beneficiaries. Nothing in this Agreement, expressed or implied, is intended to confer upon any person other than the parties hereto any rights or remedies under or by reason of this Agreement.

(k) Successors and Assigns. The terms hereof shall be binding upon and inure to the benefit of the parties, their successors and their permitted assigns.

IN WITNESS WHEREOF, the parties have caused their corporation names to be hereunto subscribed by their respective duly authorized officers.

COMMUNITY HEALTH GROUP

ATTORNEY GENERAL

Thomas J. Langenberg

Jeremiah (Jay) Nixon

Richard W. Brown is a signatory to this Agreement only for the purposes of Section 8.

Richard W. Brown